

CITY OF ALTA VISTA
WABAUNSEE COUNTY, KANSAS
INDEPENDENT AUDITORS' REPORT AND
STATUTORY BASIS FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009

ALDRICH AND COMPANY LLC
CERTIFIED PUBLIC ACCOUNTANTS
COUNCIL GROVE, KANSAS 66846

City of Alta Vista
Wabaunsee County, Kansas

STATUTORY BASIS FINANCIAL STATEMENTS
Year Ended December 31, 2009

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ALDRICH & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditors' Report

Mayor and City Council
City of Alta Vista, Kansas

We have audited the accompanying financial statements of the City of Alta Vista, Kansas, as of and for the year ended December 31, 2009 as listed in the table of contents. These statutory basis financial statements are the responsibility of City of Alta Vista, Kansas, management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year partial comparative information has been derived from the City's 2008 financial statements and, in our report dated September 15, 2009, we expressed an unqualified opinion on the respective financial statements on the statutory basis of accounting.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the guidance in the Kansas Municipal Audit Guide. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the City of Alta Vista, Kansas, prepared these financial statements in conformity with the accounting practices prescribed by the State of Kansas to demonstrate compliance with the cash basis and budget laws of the State of Kansas, which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of differences between these regulatory practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City of Alta Vista, Kansas, as of December 31, 2009, the changes in its financial position, or where applicable, its cash flows for the year then ended.

Also, in our opinion, the statutory basis financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of the City of Alta Vista, Kansas, as of December 31, 2009, and its cash receipts and expenditures, and budget to actual comparisons for the year then ended, taken as a whole, on the basis of accounting described in Note 1.

Aldrich & Company, LLC

Aldrich & Company LLC
Certified Public Accountants

November 15, 2010

The City of Alta Vista
Wabaunsee County, Kansas

Statement 1

Summary of Cash Receipts, Expenditures, and Unencumbered Cash
For the Year Ended December 31, 2009

Funds	Beginning Unencumbered Cash Balance	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
Governmental Type Funds:						
General	\$ 58,756	\$ 179,097	\$ 159,072	\$ 78,781	\$ 9,577	\$ 88,358
Special Revenue						
Special park	1	835	0	836	0	836
Special highway	75,497	10,582	0	86,079	0	86,079
Equipment reserve	45,644	20,247	3,813	62,078	0	62,078
Capital improvements	103,374	0	0	103,374	0	103,374
Debt Service						
Bond and interest	13,041	33	0	13,074	0	13,074
Proprietary Type Funds						
Gas utility	59,916	712,939	120,479	652,376	0	652,376
Sewer utility	43,058	71,196	88,969	25,285	1,989	27,274
Sewer reserve	21,000	3,000	0	24,000	0	24,000
Water utility	54,023	112,381	162,481	3,923	6,463	10,386
Refuse utility	8,714	25,924	28,923	5,715	2,368	8,083
Total Reporting Entity	<u>\$ 483,024</u>	<u>\$ 1,136,234</u>	<u>\$ 563,737</u>	<u>\$ 1,055,521</u>	<u>\$ 20,397</u>	<u>\$ 1,075,918</u>

Petty Cash	\$ 25
Alta Vista State Bank	
Regular checking	842,519
Certificates of deposit	225,000
Farmers State Bank	
Regular checking	8,374
Total reporting entity	<u>\$ 1,075,918</u>

The notes to the financial statements are an integral part of this statement.

The City of Alta Vista
Wabaunsee County, Kansas

Statement 2

Summary of Expenditures - Actual and Budget
(Budgeted Funds Only)
For the Year Ended December 31, 2009

Funds	Certified Budget	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance Favorable (Unfavorable)
Governmental Type Funds:					
General	\$ 185,433	\$ 0	\$ 185,433	\$ 159,072	\$ 26,361
Special Revenue					
Special park	3,955	0	3,955	0	3,955
Special highway	88,197		88,197	0	88,197
Debt Service					
Bond and interest	0		0	0	0
Proprietary Type Funds					
Gas utility	402,000		402,000	120,479	281,521
Sewer utility	95,685		95,685	88,969	6,716
Water utility	167,405		167,405	162,481	4,924
Refuse utility	30,800		30,800	28,923	1,877

The notes to the financial statements are an integral part of this statement.

The City of Alta Vista
Wabaunsee County, Kansas

Statement 3-1

GENERAL FUND
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2009
With Comparative Actual Totals for the Year Ended December 31, 2008

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
	Actual	Actual	Budget	
Cash Receipts				
Taxes				
Wabaunsee County	\$ 108,425	\$ 105,494	\$ 105,662	\$ (168)
Liquor tax	0	0	386	(386)
Franchise taxes	13,235	14,303	11,300	3,003
Total Taxes	121,660	119,797	117,348	2,449
Intergovernmental				
FEMA & Kansas Emergency Prep	19,271			0
Sales tax	18,888	15,765	17,000	(1,235)
Total Intergovernmental	38,159	15,765	17,000	(1,235)
Licenses and Permits				
Licenses, Permits, and Fines	2,271	1,878	2,000	(122)
Use of Money and Property				
Interest on deposits	3,045	4,973	2,000	2,973
Miscellaneous Revenue				
Other	7,574	36,684	1,000	35,684
Operating Transfers				
Gas utility	0	0	0	0
Total Transfers	0	0	0	0
Total Cash Receipts	\$ 172,709	\$ 179,097	\$ 139,348	\$ 39,749

The notes to the financial statements are an integral part of this statement.

The City of Alta Vista
Wabaunsee County, Kansas

Statement 3-1

GENERAL FUND
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2009
With Comparative Actual Totals for the Year Ended December 31, 2008

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
	Actual	Actual	Budget	
Expenditures				
General				
Personal	\$ 14,412	\$ 22,376	\$ 20,000	\$ (2,376)
Contractual	21,842	48,905	10,233	(38,672)
Commodities	4,192	5,379	4,200	(1,179)
Capital outlay	8,237	0	1,000	1,000
Total General	48,683	76,660	35,433	(41,227)
Fire Department				
Personal	0	0	1,000	1,000
Contractual	5,341	3,776	5,100	1,324
Commodities	11,600	5,902	2,000	(3,902)
Capital outlay	0	0	5,000	5,000
Total Fire Department	16,941	9,678	13,100	3,422
Public Safety				
Personal	0	0	1,000	1,000
Contractual	19,337	2,929	15,100	12,171
Commodities	0	58	1,000	942
Capital outlay	0	5,491	1,000	(4,491)
Total Public Safety	19,337	8,478	18,100	9,622
Parks Department				
Personal	0	0	1,000	1,000
Contractual	2,573	9,419	2,800	(6,619)
Commodities	6,375	458	1,000	542
Capital outlay	0	0	1,000	1,000
Total Parks Department	8,948	9,877	5,800	(4,077)
Street Department				
Personal	7,515	10,547	12,000	1,453
Contractual	4,059	9,423	6,000	(3,423)
Commodities	46,462	6,409	10,000	3,591
Capital outlay	0	13,000	30,000	17,000
Adjustment for qualifying budget credits	0	0	0	0
Total Street Department	58,036	39,379	58,000	18,621
Operating transfers	55,500	15,000	55,000	40,000
 Total Expenditures	 \$ 207,445	 \$ 159,072	 \$ 185,433	 \$ 26,361

The notes to the financial statements are an integral part of this statement.

The City of Alta Vista
Wabaunsee County, Kansas

Statement 3-1

GENERAL FUND
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2009
With Comparative Actual Totals for the Year Ended December 31, 2008

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Total Cash Receipts				
Carried Forward	\$ 172,709	\$ 179,097	\$ 139,348	\$ 39,749
Total Expenditures				
Carried Forward	<u>207,445</u>	<u>159,072</u>	<u>185,433</u>	<u>26,361</u>
Receipts Over (Under) Expenditures	(34,736)	20,025	<u>\$ (46,085)</u>	<u>\$ 66,110</u>
Unencumbered Cash Balance, January 1	<u>93,492</u>	<u>58,756</u>		
Unencumbered Cash Balance, December 31	<u>\$ 58,756</u>	<u>\$ 78,781</u>		

The notes to the financial statements are an integral part of this statement.

The City of Alta Vista
Wabaunsee County, Kansas

Statement 3-2

SPECIAL REVENUE FUND
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2009
With Comparative Actual Totals for the Year Ended December 31, 2008

SPECIAL PARK FUND

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Liquor tax	\$ 0	\$ 0	\$ 386	\$ (386)
Other	<u>10,599</u>	<u>835</u>	<u>0</u>	<u>835</u>
Total Cash Receipts	10,599	835	386	449
Expenditures				
Park expenditures	13,782	0	3,955	3,955
Adjustment for qualifying budget credits	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures	<u>13,782</u>	<u>0</u>	<u>3,955</u>	<u>3,955</u>
Receipts Over (Under) Expenditures	(3,183)	835	<u>\$ (3,569)</u>	<u>\$ 4,404</u>
Unencumbered Cash Balance, January 1	<u>3,184</u>	<u>1</u>		
Unencumbered Cash Balance, December 31	<u>\$ 1</u>	<u>\$ 836</u>		

The notes to the financial statements are an integral part of this statement.

The City of Alta Vista
Wabaunsee County, Kansas

Statement 3-3

SPECIAL REVENUE FUND
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2009
With Comparative Actual Totals for the Year Ended December 31, 2008

SPECIAL HIGHWAY FUND

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
State of Kansas	\$ 12,080	\$ 10,582	\$ 12,510	\$ (1,928)
Expenditures				
Street repair & maintenance	<u>0</u>	<u>0</u>	<u>88,197</u>	<u>88,197</u>
Receipts Over (Under) Expenditures	12,080	10,582	<u>\$ (75,687)</u>	<u>\$ 86,269</u>
Unencumbered Cash Balance, January 1	<u>63,417</u>	<u>75,497</u>		
Unencumbered Cash Balance, December 31	<u>\$ 75,497</u>	<u>\$ 86,079</u>		

The notes to the financial statements are an integral part of this statement.

The City of Alta Vista
Wabaunsee County, Kansas

Statement 3-4

SPECIAL REVENUE FUND
Statement of Cash Receipts and Expenditures
For the Year Ended December 31, 2009
With Comparative Actual Totals for the Year Ended December 31, 2008

EQUIPMENT RESERVE

	<u>2008</u>	<u>2009</u>
Cash Receipts		
Transfer from general	\$ 0	\$ 15,000
Other receipts	<u>1,497</u>	<u>5,247</u>
Total Cash Receipts	1,497	20,247
Expenditures		
Equipment lease	<u>0</u>	<u>3,813</u>
Receipts Over (Under) Expenditures	1,497	16,434
Unencumbered Cash Balance, January 1	<u>44,147</u>	<u>45,644</u>
Unencumbered Cash Balance, December 31	<u>\$ 45,644</u>	<u>\$ 62,078</u>

The notes to the financial statements are an integral part of this statement.

The City of Alta Vista
Wabaunsee County, Kansas

Statement 3-5

SPECIAL REVENUE FUND
Statement of Cash Receipts and Expenditures
For the Year Ended December 31, 2009
With Comparative Actual Totals for the Year Ended December 31, 2008

CAPITAL IMPROVEMENT

	<u>2008</u>	<u>2009</u>
Cash Receipts		
Transfer from general	\$ 55,500	\$ 0
Expenditures		
Capital improvements	<u>0</u>	<u>0</u>
Receipts Over (Under) Expenditures	55,500	0
Unencumbered Cash Balance, January 1	<u>47,874</u>	<u>103,374</u>
Unencumbered Cash Balance, December 31	<u>\$ 103,374</u>	<u>\$ 103,374</u>

The notes to the financial statements are an integral part of this statement.

The City of Alta Vista
Wabaunsee County, Kansas

Statement 3-6

DEBT SERVICE
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2009
With Comparative Actual Totals for the Year Ended December 31, 2008

BOND AND INTEREST

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
	Actual	Actual	Budget	
Cash Receipts				
Wabaunsee County	\$ 1,926	\$ 33	\$ 0	\$ 33
Expenditures				
Temporary notes				
Principal	0	0	0	0
Interest	0	0	0	0
Cash basis reserve	0	0	0	0
Total Expenditures	0	0	0	0
Receipts Over (Under) Expenditures	1,926	33	<u>0</u>	<u>33</u>
Unencumbered Cash Balance, January 1	11,115	13,041		
Unencumbered Cash Balance, December 31	<u>\$ 13,041</u>	<u>\$ 13,074</u>		

The notes to the financial statements are an integral part of this statement.

The City of Alta Vista
Wabaunsee County, Kansas

Statement 3-7

PROPRIETARY FUND
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2009
With Comparative Actual Totals for the Year Ended December 31, 2008

GAS UTILITY

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Sales to customers	\$ 409,724	\$ 276,859	\$ 390,000	\$ (113,141)
Interest	5,558	4,254	0	4,254
Sale of system	0	420,000	0	420,000
Other receipts	1,910	11,762	0	11,762
Penalties and connection fees	2,715	64	0	64
Total Cash Receipts	419,907	712,939	390,000	322,939
Expenditures				
Personal services	29,901	18,747	32,500	13,753
Contractual services	31,439	16,002	39,000	22,998
Commodities	276,214	85,730	325,000	239,270
Capital outlay	0	0	0	0
Sales tax	6,560	0	5,500	5,500
Transfer to general	0	0	0	0
Total Expenditures	344,114	120,479	402,000	281,521
Receipts Over (Under) Expenditures	75,793	592,460	<u>\$ (12,000)</u>	<u>\$ 604,460</u>
Unencumbered Cash Balance, January 1	<u>(15,877)</u>	<u>59,916</u>		
Unencumbered Cash Balance, December 31	<u>\$ 59,916</u>	<u>\$ 652,376</u>		

The notes to the financial statements are an integral part of this statement.

The City of Alta Vista
Wabaunsee County, Kansas

Statement 3-8

PROPRIETARY FUND
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2009
With Comparative Actual Totals for the Year Ended December 31, 2008

SEWER UTILITY

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Sales to customers	\$ 72,144	\$ 71,196	\$ 71,200	\$ (4)
Other receipts	3,798	0	0	0
Total Cash Receipts	75,942	71,196	71,200	(4)
Expenditures				
Personal services	8,477	12,928	14,000	1,072
Contractual services	14,233	11,349	14,000	2,651
Commodities	7,673	11,594	13,000	1,406
Capital outlay	0	0	0	0
Transfer to sewer reserve	3,000	3,000	3,000	0
Principal & interest	50,894	50,098	51,685	1,587
Total Expenditures	84,277	88,969	95,685	6,716
Receipts over (under) Expenditures	(8,335)	(17,773)	<u>\$ (24,485)</u>	<u>\$ 6,712</u>
Unencumbered Cash Balance, January 1	51,393	43,058		
Unencumbered Cash Balance, December 31	<u>\$ 43,058</u>	<u>\$ 25,285</u>		

The notes to the financial statements are an integral part of this statement.

The City of Alta Vista
Wabaunsee County, Kansas

Statement 3-9

PROPRIETARY FUND
Statement of Cash Receipts and Expenditures
For the Year Ended December 31, 2009
With Comparative Actual Totals for the Year Ended December 31, 2008

SEWER RESERVE

	<u>2008</u>	<u>2009</u>
Cash Receipts		
Transfer from sewer utility	\$ 3,000	\$ 3,000
Expenditures		
Sewer maintenance	<u>0</u>	<u>0</u>
Receipts Over (Under) Expenditures	3,000	3,000
Unencumbered Cash Balance, January 1	<u>18,000</u>	<u>21,000</u>
Unencumbered Cash Balance, December 31	<u>\$ 21,000</u>	<u>\$ 24,000</u>

The notes to the financial statements are an integral part of this statement.

The City of Alta Vista
Wabaunsee County, Kansas

Statement 3-10

PROPRIETARY FUND
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2009
With Comparative Actual Totals for the Year Ended December 31, 2008

WATER UTILITY

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Sales to customers	\$ 104,612	\$ 103,772	\$ 111,500	\$ (7,728)
Other	877	8,609	0	8,609
Total Cash Receipts	105,489	112,381	111,500	881
Expenditures				
Personal services	12,624	22,396	21,000	(1,396)
Commodities	7,635	10,071	12,000	1,929
Water purchased	30,448	32,072	35,000	2,928
Contractual services	12,109	58,536	60,000	1,464
Temporary notes paid	1,810	39,406	39,405	(1)
Capital outlay	0	0	0	0
Total Expenditures	64,626	162,481	167,405	4,924
Receipts Over (Under) Expenditures	40,863	(50,100)	<u>\$ (55,905)</u>	<u>\$ 5,805</u>
Unencumbered Cash Balance, January 1	13,160	54,023		
Unencumbered Cash Balance, December 31	<u>\$ 54,023</u>	<u>\$ 3,923</u>		

The notes to the financial statements are an integral part of this statement.

The City of Alta Vista
Wabaunsee County, Kansas

Statement 3-11

PROPRIETARY FUND
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2009
With Comparative Actual Totals for the Year Ended December 31, 2008

REFUSE UTILITY

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Sales to customers	\$ 26,298	\$ 25,924	\$ 26,000	\$ (76)
Expenditures				
Personal services	220	778	800	22
Contractual services	<u>26,010</u>	<u>28,145</u>	<u>30,000</u>	<u>1,855</u>
Total Expenditures	<u>26,230</u>	<u>28,923</u>	<u>30,800</u>	<u>1,877</u>
Receipts Over (Under) Expenditures	68	(2,999)	<u>\$ (4,800)</u>	<u>\$ 1,801</u>
Unencumbered Cash Balance, January 1	<u>8,646</u>	<u>8,714</u>		
Unencumbered Cash Balance, December 31	<u>\$ 8,714</u>	<u>\$ 5,715</u>		

City of Alta Vista
Wabaunsee County, Kansas

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The City of Alta Vista is a governmental entity and operates under a Mayor-Council form of Government. The City provides the following services: public safety (police and fire), streets, sanitation, water, recreation, public improvements, planning and zoning and general administrative services. The City owned Gas Utility, which served Dwight, Kansas as well as Alta Vista, was sold in 2009.

In evaluating how to define the City, for financial reporting purposes, management has considered all potential component units. The basic--but not the only--criterion for including a potential component unit within the reporting entity is financial accountability. The most significant manifestation of the criterion is financial dependence. Other manifestations of the criteria include but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. Using this criterion, no component units were identified as part of the reporting entity of the City.

Fund Accounting

The accounts of the City are organized and operated on the basis of funds, which are used to record the City's financial transactions. A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts. Cash and other financial resources are recorded together with all related expenditures. A fund is used to segregate specific activities and for the purpose of attaining certain objectives in accordance with special regulations, restrictions, or limitations including State Statutes and City Ordinances. The following types of funds comprise the financial activities of the City.

Governmental Funds:

General Fund -- The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds -- Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Fund -- Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Proprietary Funds:

Enterprise Funds -- Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises -- where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The City of Alta Vista has four enterprise funds: gas, sewer, water and refuse.

City of Alta Vista
Wabaunsee County, Kansas

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

Statutory Basis of Accounting

The statutory basis of accounting, as used in the preparation of these statutory basis financial statements, is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund, and an expenditure would be charged in the fund that the transfer is made.

The City has approved a resolution waiving the requirement for application of generally accepted accounting principles, which allows the City to revert of the statutory basis of accounting under K.S.A. 75-1120a(c).

Departure from Accounting Principles Generally Accepted in the United States of America

The basis of accounting described above results in a financial statement presentation which shows cash receipts, cash expenditures, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories, and prepaid expense; liabilities such as deferred revenue and matured principal and interest payable; and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year-end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods sold and services received during the year in accordance with generally accepted accounting principles. Capital assets that account for the land, buildings, and equipment owned by the municipality are not presented in the financial statements. Also, long-term debt such as general obligation bonds, revenue bonds, capital leases, temporary notes, and compensated absences are not presented in the financial statements.

Reimbursements

The city records reimbursable expenditures in the fund that makes the disbursement and records the reimbursement as revenue to the fund. For purposes of budgetary comparisons, the expenditures are properly offset by the reimbursements.

NOTE 2 - BUDGETARY INFORMATION

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service funds, and enterprise funds. The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5th.
3. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held, and the governing body may amend the budget at that time. The water, sewer, and refuse funds were amended in 2009 increasing expenditure authority from \$115,405, \$92,685, and \$25,200 to \$167,405, \$95,685, and \$30,800 respectively.

City of Alta Vista
Wabaunsee County, Kansas

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009

NOTE 2 - BUDGETARY INFORMATION (CONT)

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the statutory basis of accounting, in which, revenues are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

A legal operating budget is not required for capital project funds, fiduciary funds, permanent funds, and the following special revenue funds: equipment reserve, capital improvement, and sewer reserve.

Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

NOTE 3 - CASH AND DEPOSITS

K.S.A. 9-1401 establishes the depositories which may be used by the City. The statute requires banks eligible to hold the City's funds have a main or branch bank in the county in which the City is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The city has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the City's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The City has no investment policy that would further limit its investment choices.

Concentration of credit risk

State statutes place no limit on the amount the City may invest in any one issuer as long as the investments are adequately secured under K.S. A. 9-1402 and 9-1405.

Custodial credit risk - deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require the City's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The city has no designated peak periods. All deposits were legally secured at December 31, 2009.

The City maintains a cash pool that is available for use by all funds. At year-end, the carrying amount of the city's deposits was \$1,075,893. The bank balance was \$1,076,131. The difference between the carrying amount and the bank balance is outstanding checks and deposits in transit. Of the bank balance, \$258,374 was covered by FDIC insurance and \$817,757 was collateralized with securities held by the pledging financial institutions' agents in the City's name. The city held no other investments at December 31, 2009.

City of Alta Vista
Wabaunsee County, Kansas

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009

NOTE 4 - PROPERTY TAXES

The City certifies its' budget to the county clerk annually. Using this certified budget and those of other political subdivisions within the county, the county clerk spreads the annual assessment onto the tax rolls and levies property tax on November 1 of each year. The property tax is payable in two installments. The first installment is due December 20 of the same year. The second installment is due May 10 of the subsequent year. The county collects and distributes the property taxes. In accordance with state statutes, property taxes levied during the current year are a revenue source to be used to finance the following year's operations.

NOTE 5 - COMPENSATED ABSENCES

Vacation for full time employees is based on years of employment. One week is earned upon completion of the first year of service, two weeks after the second year, and three weeks after ten years of service. Employees are given compensatory time off, in lieu of cash payments, for the overtime worked. Full time employees earn four hours of sick leave for each full month of service cumulative to no more than one hundred and ninety-two hours. Effective February 8, 2010, one hundred and twenty hours of sick time may accrue. Upon termination an employee will be compensated for any earned but unused sick leave and vacation leave. The amount is disclosed as a part of long-term debt. Amounts paid for compensated absences are paid from the fund that corresponds to the employees duties.

NOTE 6 - COMPARATIVE DATA

The amounts shown for 2008 in the financial statements are included, where practicable, only to provide a basis for comparison with 2009, and are not intended to present all information necessary for a fair presentation in accordance with the cash basis and budget laws of Kansas. Interfund eliminations have not been made in the aggregation of this data.

NOTE 7 - LONG-TERM DEBT

KDHE Loan

A new 4-cell sewage facility was constructed at a cost of \$1,152,740. A community development block grant from the Kansas Department of Commerce for \$400,000 was awarded to the city for the project on June 15, 2001. The city expended \$387,836 of grant proceeds. Additional financing of \$764,904 was obtained from the Kansas Department of Health and Environment with a loan agreement executed on May 22, 2001. Semi-annual payments of \$25,842.51 began on March 1, 2003. Beginning September 1, 2008, the payment schedule was revised and the remaining balance due was scheduled to be paid with twenty-nine semi-annual payments of \$25,048.90.

Temporary Notes Payable

The City issued \$38,500 of temporary notes in 2007 to finance water system improvements. Semiannual interest payments of \$904.75 are scheduled beginning November 15, 2007. A principal payment of \$38,500 was paid in May 2009.

City of Alta Vista
Wabaunsee County, Kansas

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009

NOTE 7 - LONG-TERM DEBT (CONT)

Changes in long term liabilities for the year ended December 31, 2009 were as follows:

	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Date of Final Maturity</u>	<u>Balance Payable January 1</u>	<u>Additions</u>	<u>Reductions/ Payments</u>	<u>Net Change</u>	<u>Balance Payable December 31</u>	<u>Interest Paid</u>
Temporary Notes										
Water loan	4.70%	5/16/2007	\$ 38,500	5/15/2009	\$ 38,500	\$ 0	\$ 38,500		\$ 0	\$ 906
KDHE loans:										
KDHE Water Pollution Control Revolving Fund Revenues	3.08%	4/28/2001	767,904	3/1/2022	<u>566,255</u>	<u>0</u>	<u>32,909</u>	<u>0</u>	<u>533,346</u>	<u>17,189</u>
Total contractual indebtedness					604,755	0	71,409		533,346	18,095
Compensated absences					<u>2,926</u>	<u>0</u>	<u>0</u>	<u>392</u>	<u>3,318</u>	
Total long-term debt					<u>\$ 607,681</u>	<u>\$ 0</u>	<u>\$ 71,409</u>	<u>\$ 392</u>	<u>\$ 536,664</u>	<u>\$ 18,095</u>

City of Alta Vista
Wabaunsee County, Kansas

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009

NOTE 7 - LONG-TERM DEBT (CONT)

Current maturities on long term debt and interest for the next five years and in five year increments through maturity are as follows:

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015-2019</u>	<u>2020-2022</u>	<u>Total</u>
Principal								
KDHE loans:								
KDHE Water Pollution Rev Loan	<u>33,930</u>	<u>34,983</u>	<u>36,069</u>	<u>37,188</u>	<u>38,343</u>	<u>210,319</u>	<u>142,514</u>	<u>533,346</u>
Total Principal	<u>33,930</u>	<u>34,983</u>	<u>36,069</u>	<u>37,188</u>	<u>38,343</u>	<u>210,319</u>	<u>142,514</u>	<u>533,346</u>
Interest								
KDHE loans:								
KDHE Water Pollution Rev Loan	<u>16,168</u>	<u>15,115</u>	<u>14,029</u>	<u>12,909</u>	<u>11,755</u>	<u>40,169</u>	<u>7,779</u>	<u>117,924</u>
Total Interest	<u>16,168</u>	<u>15,115</u>	<u>14,029</u>	<u>12,909</u>	<u>11,755</u>	<u>40,169</u>	<u>7,779</u>	<u>117,924</u>
Total Principal and Interest	<u>\$ 50,098</u>	<u>\$ 50,098</u>	<u>\$ 50,098</u>	<u>\$ 50,097</u>	<u>\$ 50,098</u>	<u>\$ 250,488</u>	<u>\$ 150,293</u>	<u>\$ 651,270</u>

City of Alta Vista
Wabaunsee County, Kansas

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009

NOTE 8 - FUND TRANSFERS

The sewer fund made a transfer to the sewer reserve fund of \$3,000 pursuant to K.S.A. 12-631o. A transfer of \$15,000 was also made from the general fund to the equipment reserve fund pursuant to K.S.A. 12-1,117.

NOTE 9 - COMPLIANCE FINANCE-RELATED LEGAL AND CONTRACTUAL PROVISIONS

References made herein to the statutes are not intended as interpretations of law, but are offered for consideration of the Director of Accounts and Reports and interpretation by the County Attorney and legal representatives of the municipality.

Deposits were not adequately secured at all times as required by K.S.A. 9-1402 and 9-1405. Security was increased upon realization of the oversight.

The annual treasurer's publication as required by K.S.A. 12-1608 was not published.

Management is not aware of any other items of noncompliance with Kansas statutes.

NOTE 10 - DEFINED BENEFIT PENSION PLAN

Plan description The City of Alta Vista participates in the Kansas Public Employees Retirement System (KPERS), a cost sharing multiple-employer defined pension benefit plan as provided by K.S.A. 74-4901, et seq. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing KPERS (611 S. Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

Funding policy K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% of covered salary. The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve bases. State law sets a limitation on annual increases in the contribution rates for KPERS employers. The employer rate established for calendar year 2009 varied between 5.54% and 6.54%. The City of Alta Vista contributions to KPERS for the years ending December 31, 2009, 2008, and 2007, were \$3,915, \$1,710, and \$2,190, respectively, equal to the required contributions for each year.

NOTE 11 - WATER SUPPLY CONTRACT

The City of Alta Vista entered into a contract on July 13, 1992, with the Rural Water District No. 1, Morris County, Kansas, for the purpose of obtaining a source of water for the City. Rural Water District No. 1 is a Kansas entity formed under Kansas Statutes Annotated 82a-612. Per contract, Rural Water District No. 1 constructed a water supply and distribution system. The Rural Water District will deliver to the City potable treated water, meeting applicable quality standards of the Kansas Department of Health and Environment, a maximum daily amount not to exceed 86,000 gallons. On July 15, 1994, the Rural Water District delivered water to the City of Alta Vista. The City has no right of ownership in the fixed assets or interest in the net income or loss of the Rural Water District. The City of Alta Vista's obligation is to pay the Water District a total fixed monthly charge of \$913 and to purchase a minimum of 750,000 gallons of water per month for \$1.40 per 1000 gallons. The rate of \$1.40 per thousand gallons of water is subject to modification at the end of two full calendar years of operation and thereafter, annually at the end of every year. The full faith and credit of the City is not pledged; and the City has no obligation

City of Alta Vista
Wabaunsee County, Kansas

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2009

NOTE 11 - WATER SUPPLY CONTRACT (CONT)

to levy a tax to make any payment pursuant to this contract. However, the City will adjust water rates charged its users at a level sufficient to meet the City's obligations. The City's contract obligation to purchase water from the Rural Water District extends for a term of 40 years from the date of the initial delivery of any water to the City. The contract does not contain a termination clause. In the event of any occurrence rendering the Water District incapable of performing under this contract, any successor of the Water District, whether the result of legal process, assignment, or otherwise, shall succeed to the rights of the Water District.

During 2009, the City purchased 12,066,000 gallons of water from the Rural Water District for \$32,072; which includes the fixed charge of \$913 per month for twelve months. This amount has been considered to be a commodity expenditure of the Utility fund in 2009.

No provision has been made in the financial statements for the amount remaining to be paid to the Rural Water District over the life of the contract for the water to be purchased by the City.

The City's obligation will continue in effect until July 15, 2034.

NOTE 12 – RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. Commercial insurance is purchased from independent third parties. Insurance claims have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance coverage from coverage in prior years.

NOTE 13 – SALE OF GAS UTILITY

On April 7, 2009, the citizens of Alta Vista approved the sale of the gas utility system to Kansas Gas Service. After receiving approval from the Kansas Corporation Commission, the city entered into a contract to sell the system for \$420,000 effective June 1, 2009. The city retained unpaid accounts receivable for services prior to that date. The city has no other obligation in regard to the gas utility other than retained liabilities arising out of, or related to, the city's ownership of assets and/or the operation of the gas utility.

NOTE 14 – RELATED PARTY TRANSACTIONS

The City experienced a large hail storm on June 15, 2009. City property was consequently damaged. K-Construction, Inc. performed repairs to city property in the amount of \$38,937. A council member is a shareholder of this company. This amount was reimbursed by the city's insurance carrier.

NOTE 15 – WATER PROJECT

The City applied for loan and grant funds to fund a water project with the estimated cost of \$859,000. On July 26, 2010, the City was notified that it had been approved for an USDA Rural Development loan in the amount of \$359,000. On August 4, 2010, the City was notified that it had received a \$500,000 Small Cities Community Development Block Grant.